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Subcommittee on Financial Institutions and Consumer Credit Hearing on “H.R. 627, *the Credit Cardholders’ Bill of Rights Act of 2009* ; and H.R. 1456, *the Consumer Overdraft Protection Fair Practices Act of 2009* ”

Statement of Rep. Luis V. Gutierrez

In 2008, this Committee led the Congress in adopting tough but common-sense consumer protection measures for credit card borrowers. This legislation, appropriately titled the Credit Cardholders’ Bill of Rights, was approved in the House by a wide majority but was unfortunately not taken up by the Senate. The reintroduction of this legislation in the form of H.R. 627 in the 111th Congress is a sign that this Congress is committed to American consumers who demand common-sense, consumer-oriented laws in a time of economic recession.

Credit cards, when used properly, are an important part of the American economic system. More than a convenient means of payment, they can be instrumental in starting a small business, helpful in building a solid credit history and even effective in providing families capital

during times of economic crisis. But, far too often, consumers come to rely on revolving debt, or they are drawn to cards that offer low teaser rates and other mechanisms designed to create a never-ending cycle of debt.

Today, Americans are suffering from rising unemployment rates, dramatically falling household wealth and declining real wages, all of which make it harder for consumers to pay off credit card debt. In fact, in 2008, we saw the percentage of accounts 30 days past due rise to an all-time high of 5.6 percent. And on average, American families owe 24 percent of their income in credit card debt.

These are daunting figures in an unstable time; but Congress can and must do something about it, by making sure that unfair credit card practices and fees do not deter consumers from paying down their debt.

Among its many consumer protections, H.R. 627 would prohibit unreasonable interest rate increases by preventing credit card companies from arbitrarily increasing interest rates on existing balances. Additionally, it would end unfair "double-cycle" billing, meaning that credit card companies could not charge interest on debt consumers have already paid on time.

The legislation also requires fair allocation of consumer payments, banning the practice of crediting a consumer's payments to low-interest debt first, thus ensuring that the highest yielding debt for the issuer remains on the books the longest. In addition, the Credit Cardholders' Bill of Rights protects vulnerable consumers from high-fee subprime credit cards by preventing those fees from being charged to the card itself. This is an important provision for minority consumers, many of whom are twice as likely to have an APR over 20 percent.

We set to work on this legislation with the knowledge that the Federal Reserve Board has mandated new regulations that mirror many of the protections included H.R. 627. I applaud the Board for its work on the UDAP and Regulation Z changes, but I believe that this Congress should codify these important consumer protections to send the message to the industry and consumers that Congress is serious about standing up for consumer rights.

Today's hearing will also discuss H.R. 1456, the Consumer Overdraft Protection Fair Practices Act. This bill would provide consumers with more notice and choice regarding overdraft fees.

Among other things, H.R. 1456 would require notice to customers when an ATM transaction is about to trigger an overdraft. Consumers would then have a choice to accept or reject the overdraft service and the associated fee.

Of course, the Federal Reserve has also proposed new rules outlining additional consumer protections regarding overdraft fees. But, similar to the credit card issue, I believe that Congress should keep the proverbial legislative heat on the industry, while encouraging the regulators to enact common-sense consumer protections regarding overdraft fees.

I am committed to working with the members of this Subcommittee and the full Committee to advance this practical and consumer friendly legislation. I believe H.R. 627 fits these criteria well and, with some work, H.R. 1456 soon will.